

Hello Katie,

Thank you again for your time last week in explaining the various reporting requirements of our contract. It was very helpful for me!

After our discussion, we made another internal review of our hiring data. We would like to request an extension of the project completion date as noted below.

Please note that I also have a couple of questions below that came up after our call.

Thank you for your assistance.

American Packaging would like to request an 8 month extension of the project completion date, moving from July 31, 2019 to March 31, 2020.

We feel confident that we will meet the total job obligations at the qualifying wage by this date.

It is possible that we could achieve the commitment before March 31st. The biggest uncertainty at the moment is the labor market in Story County. As we discussed, with the low unemployment rate, we have found it difficult to fill positions. We are being a bit cautious with the date that we can commit to for that reason. If we were to achieve the commitment before March 31, would there be an option to shorten the extension? Or once the board agrees to an extension date, does it stay fixed?

A few bullet points regarding our request for an extension:

- Hiring during 2018/2019 has been difficult due to the low unemployment rate. For non-production positions it is taking us many months to find a suitable candidate (much longer than we've experienced in the past). For the production positions we also see a shortage, particularly of skilled workers (previous or relevant experience with our type of equipment). The lack of skilled workers slows down our progress toward the contract because we bring those employees on board as a level one employee who needs training. At level 1, we have created the job, but not yet at the qualifying wage for our contract. At the point the employee is trained and eligible for level 2 (which can take several months if they have no previous experience), then level 2 is above the qualifying wage for many of our positions.
- We've also experienced a higher amount of turnover which contributes to our uncertainty about the timing of meeting our commitment.
- Our employment base at the time the contract was created was 185. We now have more than 300 employees in our Story City location. We are creating jobs. As mentioned above, it's the wage threshold that we are not quite meeting yet. We are getting close to it, but turnover of more experienced employees, and bringing on inexperienced employees in their place, or not being able to fill a position at all, is what is driving the delay.
- We are currently getting close to the 158 total job obligations committed in our contract. If we were to take our records as of June 30, we would find 144 qualifying employees. However, during the month of July, 8 employees will be moving to level 2 operator which will then put them above the wage threshold, getting us to 152 (assuming we don't lose anyone during that time). We have 4 open non-production positions that would qualify if they were filled. Looking at our turnover and hiring, we feel the 8 month extension would give us the time for positions to be filled and many of our newest hires to have been trained and promoted.

One additional question, during my review of the data, I found that American Packaging has 3-4 technical support people that are on site here in Story City full time that do not show up on our

payroll. These employees are paid by one of our vendors to be on site full time, and American Packaging pays the supplier every month to have those resources here on site. Leadership has discussed making those positions American Packaging direct hire positions, which would actually be less expensive than the marked up rate we pay the supplier. However, we have not done that because these are highly skilled people and with our current hiring challenges, we opted to have the supplier responsible for making sure these positions are filled with the right technical skill set. Can you comment how that is viewed from the State's perspective? These are jobs we've created in Iowa. The job would not exist if American Packaging didn't need the skill set. Is there a way to have those jobs counted toward our contract obligation?

Kind Regards,

Sarah Brvan

Controller



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